

Brooklyn Prospect Charter School

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2023 and 2022

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Independent Auditors' Report

**Board of Trustees
Brooklyn Prospect Charter School**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Brooklyn Prospect Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Prospect Charter School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brooklyn Prospect Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, Brooklyn Prospect Charter School adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of right of use assets and related lease liabilities effective July 1, 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brooklyn Prospect Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brooklyn Prospect Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brooklyn Prospect Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by charter, for the year ended June 30, 2023 on pages 21 through 24 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 25 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of Brooklyn Prospect Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brooklyn Prospect Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brooklyn Prospect Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2023

Brooklyn Prospect Charter School

Statements of Financial Position

	June 30,	
	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash	\$ 2,535,162	\$ 7,310,077
Investments	3,614,787	-
Grants and contracts receivable	2,228,502	4,098,542
Due from related parties	876,324	308,479
Prepaid expenses and other current assets	<u>583,794</u>	<u>167,126</u>
Total Current Assets	9,838,569	11,884,224
Property and equipment, net	6,822,512	5,398,626
Right of use assets - operating leases, net	196,246,315	-
Right of use assets - financing leases, net	213,893	-
Restricted cash	200,094	200,054
Security deposits	<u>3,416,315</u>	<u>3,016,314</u>
	<u>\$ 216,737,698</u>	<u>\$ 20,499,218</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 566,895	\$ 681,808
Loan payable, current portion	510,000	250,000
Paycheck Protection Program loan payable, current portion	101,982	100,988
Operating lease liabilities, current portion	5,138,891	-
Financing lease liabilities, current portion	46,873	-
Deferred rent, current portion	-	2,624,852
Refundable advances	<u>47,779</u>	<u>120,944</u>
Total Current Liabilities	6,412,420	3,778,592
Loan payable	1,640,000	850,000
Paycheck Protection Program loan payable	107,018	212,998
Operating lease liabilities	199,256,092	-
Financing lease liabilities	169,850	-
Deferred rent	<u>-</u>	<u>1,857,828</u>
Total Liabilities	207,585,380	6,699,418
Net assets, without donor restrictions	<u>9,152,318</u>	<u>13,799,800</u>
	<u>\$ 216,737,698</u>	<u>\$ 20,499,218</u>

See notes to financial statements

Brooklyn Prospect Charter School

Statements of Activities

	Year Ended June 30,	
	2023	2022
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 38,758,182	\$ 34,861,066
Special education	5,357,083	4,869,086
Facilities	11,600,649	8,904,588
Federal grants	1,947,901	3,645,917
Federal IDEA and Erate	410,643	459,978
State and city grants	998,805	1,014,662
Total Operating Revenue	<u>59,073,263</u>	<u>53,755,297</u>
EXPENSES		
Program Services		
Regular education	44,459,230	37,240,160
Special education	<u>11,160,429</u>	<u>9,427,058</u>
Total Program Services	55,619,659	46,667,218
Supporting Services		
Management and general	9,213,800	8,040,796
Fundraising	<u>282,309</u>	<u>221,397</u>
Total Expenses	<u>65,115,768</u>	<u>54,929,411</u>
 (Deficit) from Operations	 <u>(6,042,505)</u>	 <u>(1,174,114)</u>
SUPPORT AND OTHER REVENUE		
Contributions from related party	183,290	384,928
Contributions and private grants	566,160	-
Donated services	15,075	26,551
After school program	16,517	224,434
Landlord reimbursement	248,851	-
Other income	<u>365,130</u>	<u>315,631</u>
Total Support and Other Revenue	<u>1,395,023</u>	<u>951,544</u>
 Change in Net Assets	 (4,647,482)	 (222,570)
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	13,799,800	9,687,774
 Transfer of net assets pursuant to merger of International Charter School of New York	 <u>-</u>	 <u>4,334,596</u>
 End of year	 <u>\$ 9,152,318</u>	 <u>\$ 13,799,800</u>

See notes to financial statements

Brooklyn Prospect Charter School

Statement of Functional Expenses
Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	42	\$ 2,609,784	\$ 652,445	\$ 3,262,229	\$ 1,319,160	\$ 19,245	\$ 4,600,634
Instructional personnel	262	16,922,175	4,230,543	21,152,718	-	-	21,152,718
Non-instructional personnel	<u>41</u>	<u>2,262,146</u>	<u>565,536</u>	<u>2,827,682</u>	<u>150,185</u>	<u>-</u>	<u>2,977,867</u>
Total Personnel Services Costs	<u><u>345</u></u>	21,794,105	5,448,524	27,242,629	1,469,345	19,245	28,731,219
Employee benefits and payroll taxes		5,180,318	1,295,080	6,475,398	349,316	4,583	6,829,297
Office expenses		517,721	129,430	647,151	86,819	389	734,359
Accounting and auditing		-	-	-	105,341	-	105,341
Legal fees		-	-	-	23,859	-	23,859
Donated legal services		-	-	-	15,075	-	15,075
Payroll service		-	-	-	169,312	-	169,312
General and administrative consultants		46,686	11,671	58,357	16,789	-	75,146
Management fee		2,530,973	632,743	3,163,716	4,666,481	79,093	7,909,290
Other professional fees		771,547	238,508	1,010,055	7,415	67	1,017,537
Professional development		252,279	63,071	315,350	-	-	315,350
Student and staff special events		270,330	67,583	337,913	8,141	104	346,158
Parent teacher organization		-	-	-	-	167,828	167,828
Curriculum and classroom		687,515	171,879	859,394	-	-	859,394
Insurance		-	-	-	319,271	-	319,271
Facilities expense		12,169,357	3,042,339	15,211,696	819,898	10,790	16,042,384
Technology		230,130	57,533	287,663	15,467	203	303,333
Depreciation and amortization		-	-	-	1,058,171	-	1,058,171
Miscellaneous		<u>8,269</u>	<u>2,068</u>	<u>10,337</u>	<u>83,100</u>	<u>7</u>	<u>93,444</u>
Total Expenses		<u><u>\$ 44,459,230</u></u>	<u><u>\$ 11,160,429</u></u>	<u><u>\$ 55,619,659</u></u>	<u><u>\$ 9,213,800</u></u>	<u><u>\$ 282,309</u></u>	<u><u>\$ 65,115,768</u></u>

See notes to financial statements

Brooklyn Prospect Charter School

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	39	\$ 2,361,240	\$ 590,310	\$ 2,951,550	\$ 1,125,027	\$ 19,892	\$ 4,096,469
Instructional personnel	253	15,513,452	3,878,362	19,391,814	-	-	19,391,814
Non-instructional personnel	38	1,767,004	441,751	2,208,755	114,080	-	2,322,835
Total Personnel Services Costs	330	19,641,696	4,910,423	24,552,119	1,239,107	19,892	25,811,118
Employee benefits and payroll taxes		4,717,498	1,179,374	5,896,872	298,256	4,783	6,199,911
Office expenses		615,293	153,823	769,116	129,403	449	898,968
Accounting and auditing		-	-	-	78,912	-	78,912
Legal fees		-	-	-	4,884	-	4,884
Donated legal services		-	-	-	26,551	-	26,551
Payroll service		-	-	-	160,307	-	160,307
General and administrative consultants		253,359	63,339	316,698	93,843	-	410,541
Management fee		1,627,015	406,753	2,033,768	3,888,087	59,817	5,981,672
Other professional fees		920,965	347,261	1,268,226	10,409	67	1,278,702
Professional development		141,864	35,465	177,329	-	-	177,329
Student and staff special events		256,056	64,015	320,071	7,623	123	327,817
Parent teacher organization		-	-	-	-	127,429	127,429
Curriculum and classroom		659,565	164,891	824,456	-	-	824,456
Insurance		-	-	-	246,249	-	246,249
Facilities expense		8,168,386	2,042,097	10,210,483	550,032	8,600	10,769,115
Technology		226,723	56,681	283,404	52,722	231	336,357
Depreciation and amortization		-	-	-	1,097,428	-	1,097,428
Loss on disposal of property and equipment		-	-	-	95,871	-	95,871
Miscellaneous		11,740	2,936	14,676	61,112	6	75,794
Total Expenses		\$ 37,240,160	\$ 9,427,058	\$ 46,667,218	\$ 8,040,796	\$ 221,397	\$ 54,929,411

Brooklyn Prospect Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,647,482)	\$ (222,570)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,024,562	1,097,428
Amortization of right of use assets - operating leases	9,577,976	-
Amortization of right of use assets - financing leases	33,609	-
Loss on disposal of property and equipment	-	95,871
Deferred rent	-	1,377,299
Changes in operating assets and liabilities		
Grants and contracts receivable	1,870,040	(2,468,547)
Prepaid expenses and other current assets	(416,668)	105,325
Security deposits	(400,001)	(142,804)
Due from related parties	(567,845)	(126,113)
Accounts payable and accrued expenses	(114,913)	78,260
Operating lease liabilities	(5,911,988)	-
Refundable advances	(73,165)	77,209
Net Cash from Operating Activities	<u>374,125</u>	<u>(128,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,448,448)	(1,956,742)
Purchase of certificate of deposits	(6,964,787)	-
Redemption of certificate of deposits	3,350,000	-
Net Cash from Investing Activities	<u>(6,063,235)</u>	<u>(1,956,742)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan payable	(250,000)	(250,000)
Repayment of Paycheck Protection Program loan	(104,986)	(90,621)
Proceeds from loan payable	1,300,000	-
Principal payments on finance lease liability	(30,779)	-
Cash acquired from merger of International Charter School of New York	-	4,060,931
Net Cash from Financing Activities	<u>914,235</u>	<u>3,720,310</u>
Net Change in Cash and Restricted Cash	(4,774,875)	1,634,926
CASH AND RESTRICTED CASH		
Beginning of year	<u>7,510,131</u>	<u>5,875,205</u>
End of year	<u>\$ 2,735,256</u>	<u>\$ 7,510,131</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 32,697	\$ 43,401
Cash paid for amounts included in the measurement of operating lease liabilities	12,481,711	-
Finance right-of-use asset recognized in exchange for finance lease liability	247,502	-

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2023 and 2022

1. Organization and Tax Status

Brooklyn Prospect Charter School (the "School") is an educational corporation that operates four charter schools in the borough of Brooklyn, New York. On July 28, 2008, the Board of Regents of the University of the State of New York (the "Board of Regents") granted the School a provisional charter ("CSD 15") valid for a term of five years and renewable upon expiration. On June 4, 2014, the Board of Regents granted the School a second provisional charter ("CSD 13") valid for a term of five years and renewable upon expiration. In July 2019, the Board of Regents granted the School a third provisional charter ("CSD 15.2") valid for a term of five years. Effective October 12, 2023, CSD 15, 13, and 15.2's charter terms were extended through July 31, 2026.

In fiscal year 2022, CSD 15 became an inactive charter. All grades that were originally associated with CSD 15 migrated to CSD 15.2 over the course of fiscal years 2019 through 2022. The School did not operate any grades under CSD 15 in fiscal years 2023 and 2022. CSD 15 has resumed operations with new grades in fiscal year 2024.

Effective July 1, 2021, International Charter School of New York ("ICSNY") merged onto the School with approval by the Board of Regents. ICSNY ceased to exist as a separate legal entity and simultaneously became a provisional charter ("CSD 13.2") under the School at the effective date. On March 1, 2023, the Board of Regents renewed the term of the charter through July 31, 2026.

The School's mission is to be a kindergarten through twelfth grade college preparatory community where excellent teachers prepare a diverse student body to have a positive impact on society and a lifelong passion for learning. In the 2022-2023 academic year, the School operated classes for approximately 2,200 students in grades kindergarten through twelfth grade.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Adoption of New Accounting Pronouncement

Leases

The School adopted Financial Accounting Standards Board ("FASB") *Topic 842, Leases* ("Topic 842"), using the effective date method with July 1, 2022, as the date of initial adoption, with certain practical expedients available.

The School elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing whether the contracts contain leases under the new standard, whether classification of capital (now finance) leases or operating leases would be different in accordance with the new guidance, or whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance on July 1, 2022, the School recognized finance and operating lease liabilities of \$210,306,971 that represent the present value of the remaining finance and operating lease payments of \$311,459,097, discounted with risk free interest rates using the treasury bond rate ranging from 2.79% to 3.35% depending on the lease term, and finance and operating right of use ("ROU") assets of \$205,824,291, that represent the discounted operating lease liabilities of \$210,306,971, with the ROU finance and operating assets adjusted for deferred rent of \$4,482,680.

The adoption of Topic 842 had a material impact on the School's statement of financial position but did not have a material impact on its statements of activities and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for finance and operating leases.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2023 and 2022.

Brooklyn Prospect Charter School

Notes to Financial Statements

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Certificates of deposit are valued at the amounts deposited plus accrued interest, and are measured at estimated market value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows at June 30:

	2023	2022
Cash	\$ 2,535,162	\$ 7,310,077
Restricted cash	200,094	200,054
	<u>\$ 2,735,256</u>	<u>\$ 7,510,131</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$3,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Maintenance and repairs are expensed as incurred.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Property and Equipment (continued)

All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	5 years
Furniture and fixtures	7 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2023 and 2022.

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating and finance leases are included in operating and finance right-of-use ("ROU") assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the School made the short-term lease election.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately.

The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets. For the year ended June 30, 2022, U.S. GAAP guidance stated rent shall be charged to expense over the lease term as it became payable.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Leases (continued)

If rental payments are not made on a straight-line basis, rental expense shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. The difference between the straight-line rent expense and rent paid is reflected as a deferred rent liability in the statement of financial position as of June 30, 2022.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Donated Services

Donated services are recognized as contributions in accordance with U.S. GAAP if the services create or enhance non-financial assets, require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School, and are measurable.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental and other sources that include contributions revenue, and other activities considered to be a more non-recurring nature.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses, such as personnel services cost, employee benefits and payroll taxes, other professional fees, and facilities expense have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2020.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 30, 2023.

3. Investments

The School's investments at June 30, 2023 consisted of certificate of deposits in the amount of \$3,614,787.

4. Grants and Contracts Receivable

Grants and contracts receivable consists of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance for doubtful account and has determined that such allowance was not necessary.

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Computers and equipment	\$ 3,715,275	\$ 3,114,907
Furniture and fixtures	2,722,629	2,596,353
Software	33,744	33,744
Leasehold improvements	7,524,196	5,768,114
Construction-in-progress	<u>31,518</u>	<u>65,796</u>
	14,027,362	11,578,914
Accumulated depreciation and amortization	<u>(7,204,850)</u>	<u>(6,180,288)</u>
	<u>\$ 6,822,512</u>	<u>\$ 5,398,626</u>

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2023 and 2022

5. Property and Equipment (*continued*)

For the year ended June 30, 2022, the School disposed of property and equipment with total cost basis of \$964,139 and respective accumulated depreciation of \$868,268, resulting in a loss of \$95,871.

Construction-in-progress at June 30, 2023 and 2022 is comprised of architect fees and other soft costs for the planning, development, and construction of the first middle school's permanent facility and are expected to be placed into service in fiscal year 2024.

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	2023	2022
Cash	\$ 2,535,162	\$ 7,310,077
Investments	3,614,787	-
Grants and contracts receivable	2,228,502	4,098,542
Due from related parties	876,324	308,479
	<u>\$ 9,254,775</u>	<u>\$ 11,717,098</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and other liquid instruments until it is required for operational use. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (See Note 10).

7. Related Party Transactions (*not disclosed elsewhere*)

The School is related to Prospect Schools, Inc. ("Prospect"), a New York State not-for-profit corporation, through common management. Prospect was originally organized to provide financial support and other services to the School. Effective July 1, 2018, Prospect amended its legal purpose to act as a charter management organization and provide support as outlined in the agreement.

The School entered into a five year agreement with Prospect effective July 1, 2018 which calls for Prospect to oversee the School in their development and implementation of the educational and instruction programs; support and assist the business administration of the School; assist in the recruitment of personnel and provide human resources services; and oversee the financial services and reports for the School. For the year end June 30, 2022, the School paid Prospect an annual fee of 12% of the School's per pupil operating revenue, per pupil facilities revenue, federal Individuals with Disabilities Education Act revenue, and federal Titles revenue. In accordance with the first amendment of the agreement, effective July 1, 2022, the annual fee increased to 14% of the revenue sources previously noted. The management fee for the years ended June 30, 2023 and 2022 amounted to \$7,909,290 and \$5,981,672.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2023 and 2022

7. Related Party Transactions (not disclosed elsewhere) (continued)

For the years ended June 30, 2023 and 2022, the School received contributions of \$183,290 and \$384,928 from Prospect to cover specific program expenses.

The School is related to Friends of Prospect Schools, Inc. ("FOPS"), a New York State not-for-profit corporation, through common management. FOPS's purpose is to support the operation of the School by managing the School's real estate and facilities-related needs, and by raising funds and resources that will enable FOPS to provide support to the School and to enhance the experience of the School's students. The School entered into various sublease agreements with FOPS for classroom facilities (see Note 13).

The net balance due from/(to) the related parties consisted of the following at June 30:

	2023	2022
Prospect	\$ 555,824	\$ 98,088
FOPS	320,500	210,391
	<u>\$ 876,324</u>	<u>\$ 308,479</u>

8. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash, investments and restricted cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2023 and 2022, approximately \$6,100,000 and \$7,260,000 of cash was maintained with an institution in excess of FDIC limits.

10. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2023 and 2022, the School received approximately 92% and 89% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

11. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the plan, the School matched employee contributions up to 4% of the annual compensation covered under the employment arrangement with ADP Retirement Services. Total employer match for the years ended June 30, 2023 and 2022 amounted to \$868,409 and \$793,836.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2023 and 2022

12. Donated Services

One law firm provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$15,075 and \$26,551 for the years ended June 30, 2023 and 2022. Fair value is estimated using a standard hourly rate of similar services available for purchase by the School. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses. There were no donor-imposed restrictions associated with the donated services.

13. Commitments

In August 2016, the School signed a lease with Metrotech, LLC 13 for its office space and after school activity center for its elementary students under a non-cancelable lease expiring June 30, 2034. Under this lease, the School has an option of extending the lease an additional five years. Under the terms of the lease, the School paid a security deposit in the amount of \$50,000. The School moved into this new facility on April 1, 2017 and commenced paying rent. In January 2017, the School signed a lease with 160 17th Street, LLC for its classrooms, office space, and outdoor play area under a non-cancelable lease for the first middle school expiring June 30, 2038. Under this lease, the School has an option of extending the lease an additional 20 years. Under the terms of the lease, the School paid a security deposit totaling \$600,000. The School had yet to move into the facility at June 30, 2023 and expects to move in and commence rent payments in the fall of 2024.

In July 2019, the School signed a lease with Caton Avenue Realty, LLC, for additional gym and dance space of the entire first floor under a non-cancelable lease for the Windsor Terrace middle and high schools. The School has executed its option to extend the lease for an additional year through June 30, 2024.

Beginning in October 2018, the School began entering into sublease agreements with FOPS for classroom and office space under non-cancelable leases for multiple schools. The following is the summary of the locations and terms of the sublease agreements the School had with FOPS at June 30, 2023:

Charter	School	Location	Effective Date	Termination Date	Security Deposit
CSD 13	Downtown Elementary School	80 Willoughby Street	10/1/2018	6/30/2052	\$1,350,000
CSD 13	Clinton Hill Middle School	1100 Fulton Street	10/1/2018	6/30/2038	450,000
CSD 15.2	Brooklyn Prospect High School	3002 Fort Hamilton Parkway	7/1/2021	6/30/2032	142,000
CSD 15.2	Sunset Yards Elementary School	341-353 39th Street	7/1/2022	6/30/2052	800,000
CSD 13.2	International Elementary School	272 Macon Street	7/1/2023	6/30/2052	-

Brooklyn Prospect Charter School

Notes to Financial Statements

June 30, 2023 and 2022

13. Commitments (*continued*)

Facilities expense for the years ended June 30, 2023 and 2022 amounted to \$16,042,384 and \$10,769,115.

The School entered into seven separate operating leases for copier and printer equipment with various terminations dates through January 2027.

In September and December 2022, the School entered into two finance lease agreements for copier and printer equipment with termination periods in August and November 2027. Finance lease expense for the year ended June 30, 2023 was \$33,609 and is included in depreciation and amortization expense within the accompanying statements of functional expenses.

Right of use assets consist of the following at June 30, 2023:

	Operating Leases	Finance Leases
ROU assets	\$ 205,824,291	\$ 247,502
Accumulated amortization	(9,577,976)	(33,609)
	<u>\$ 196,246,315</u>	<u>\$ 213,893</u>

Weighted average remaining lease term

Operating leases	23.70 years
Finance leases	4.32 years

Weighted average discount rate

Operating leases	3.17%
Finance leases	4.02%

Future minimum lease payments are as follows for years ending June 30:

	Operating Leases	Finance Leases
2024	\$ 11,533,060	\$ 54,720
2025	12,381,346	54,720
2026	12,935,950	54,720
2027	13,192,784	54,720
2028	13,556,782	17,562
Thereafter	235,377,465	-
Total minimum lease payments	298,977,387	236,442
Present value discount	(94,582,404)	(19,719)
Present value of operating lease liability	204,394,983	216,723
Current portion	(5,138,891)	(46,873)
Operating lease liabilities, less current portion	<u>\$ 199,256,092</u>	<u>\$ 169,850</u>

Brooklyn Prospect Charter School

Notes to Financial Statements

June 30, 2023 and 2022

14. Loan Payable

On May 27, 2021, the School entered into a \$1,350,000 loan agreement with CSGF NYC Facility Fund, LLC (the "Lender") for the sole purpose of funding the security deposit required under the sublease with FOPS for the second downtown elementary school's facility lease. The School began repayment of the loan and accrued interest during fiscal year 2022 and will continue at 2.75% per annum through the maturity date of April 15, 2026.

On May 29, 2023, the School entered into a second loan agreement with the Lender totaling \$1,300,000 for the sole purpose of funding the construction contribution owed by the School associated with the development of the new school facility at 272 Macon Street (See Note 13). The School will begin repayment of the loan and accrued interest during fiscal year 2024 and will continue at 2.75% per annum through the maturity date of April 15, 2028. The School must maintain a financial performance covenant which was assessed starting with the fiscal year ended June 30, 2023. For the year ended June 30, 2023, the School was not in compliance with the financial covenant. At June 30, 2023 and 2022, the School had outstanding balances with the Lender of \$2,150,000 and \$1,100,000.

Future minimum principal payments on the loan are as follows for years ended June 30:

2024	\$ 510,000
2025	510,000
2026	610,000
2027	260,000
2028	260,000
	<hr/> 2,150,000
Current portion	(510,000)
	<hr/> <u>\$ 1,640,000</u>

15. Paycheck Protection Program Loan Payable

On May 4, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$3,573,939 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 0.98% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration.

On June 30, 2021, \$3,169,332 of principal and \$36,408 of accrued interest were forgiven by the U.S. Small Business Administration. On August 1, 2021, the School commenced repayment of the unforgiven principal on a monthly basis amount of \$8,630, with the loan bearing the original 0.98% interest per annum rate.

Future minimum principal payments for fiscal years 2024 and 2025 total \$101,982 and \$107,018.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2023 and 2022

16. Merger With International Charter School of New York

As stated in Note 1, on October 23, 2020, the School, Prospect, and ICSNY entered into an agreement and plan of merger effective July 1, 2021. Under the agreement ICSNY merged into and with the School, where the School is the surviving entity and ICSNY ceased to exist upon the effective date. Below is a summary of opening balances at July 1, 2021 for ICSNY:

ASSETS

Cash	\$ 4,060,931
Grants and contracts receivable	72,728
Prepaid expenses and other current assets	254,233
Property and equipment, net	151,054
Security Deposits	182,195
Restricted cash	75,000
	<u>\$ 4,796,141</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 67,193
Accrued payroll and payroll taxes	379,311
Refundable advances	14,043
Deferred rent	998
Total Liabilities	<u>461,545</u>
Net assets, without donor restrictions	<u>4,334,596</u>
	<u>\$ 4,796,141</u>

* * * * *

Brooklyn Prospect Charter School

Supplementary Information

June 30, 2023

Brooklyn Prospect Charter School

Schedule of Activities by Charter
Year Ended June 30, 2023

	CSD 15	CSD 13	CSD 15.2	CSD 13.2	Total
OPERATING REVENUE					
State and local per pupil operating revenue					
General education	\$ -	\$ 12,425,378	\$ 19,417,524	\$ 6,915,280	\$ 38,758,182
Special education	-	1,627,660	3,341,419	388,004	5,357,083
Facilities	-	3,692,004	5,832,036	2,076,609	11,600,649
Federal grants	-	648,286	985,129	314,486	1,947,901
Federal IDEA and E-Rate	-	124,556	229,501	56,586	410,643
State and city grants	-	345,067	620,351	33,387	998,805
Total Operating Revenue	-	18,862,951	30,425,960	9,784,352	59,073,263
EXPENSES					
Program Services					
Regular education	-	13,146,444	23,894,669	7,418,117	44,459,230
Special education	-	3,295,857	6,010,043	1,854,529	11,160,429
Total Program Services		16,442,301	29,904,712	9,272,646	55,619,659
Supporting Services					
Management and general	-	2,889,080	4,740,292	1,584,428	9,213,800
Fundraising	-	110,207	125,582	46,520	282,309
Total Expenses	-	19,441,588	34,770,586	10,903,594	65,115,768
(Deficit) from Operations	-	(578,637)	(4,344,626)	(1,119,242)	(6,042,505)
SUPPORT AND OTHER REVENUE					
Contributions from related party	-	76,558	90,409	16,323	183,290
Contributions and private grants	-	245,147	104,173	216,840	566,160
Donated services	-	4,547	7,660	2,868	15,075
After school program	-	3,973	-	12,544	16,517
Facility rental reimbursement	-	248,851	-	-	248,851
Other income	-	131,321	150,999	82,810	365,130
Total Support and Other Revenue	-	710,397	353,241	331,385	1,395,023
Change in Net Assets	-	131,760	(3,991,385)	(787,857)	(4,647,482)
NET ASSETS, WITHOUT DONOR RESTRICTIONS					
Beginning of year	3,597,311	3,060,779	2,893,783	4,247,927	13,799,800
End of year	\$ 3,597,311	\$ 3,192,539	\$ (1,097,602)	\$ 3,460,070	\$ 9,152,318

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 13

Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	14	\$ 939,585	\$ 234,896	\$ 1,174,481	\$ 417,127	\$ 6,402	\$ 1,598,010
Instructional personnel	75	4,887,305	1,221,826	6,109,131	-	-	6,109,131
Non-instructional personnel	<u>15</u>	<u>716,453</u>	<u>179,113</u>	<u>895,566</u>	<u>46,293</u>	<u>-</u>	<u>941,859</u>
Total Personnel Services Costs	<u><u>104</u></u>	6,543,343	1,635,835	8,179,178	463,420	6,402	8,649,000
Employee benefits and payroll taxes		1,555,255	388,814	1,944,069	110,148	1,522	2,055,739
Office expenses		163,433	40,858	204,291	22,850	131	227,272
Accounting and auditing		-	-	-	31,009	-	31,009
Legal fees		-	-	-	6,612	-	6,612
Donated legal services		-	-	-	4,546	-	4,546
Payroll service		-	-	-	51,288	-	51,288
General and administrative consultants		2,502	626	3,128	1,562	-	4,690
Management fee		813,325	203,331	1,016,656	1,499,568	25,416	2,541,640
Other professional fees		251,874	72,214	324,088	2,007	21	326,116
Professional development		84,846	21,212	106,058	-	-	106,058
Student and staff special events		66,300	16,575	82,875	2,047	28	84,950
Parent teacher organization		-	-	-	-	73,293	73,293
Curriculum and classroom		196,369	49,092	245,461	-	-	245,461
Insurance		-	-	-	93,159	-	93,159
Facility expense		3,408,868	852,217	4,261,085	241,427	3,335	4,505,847
Technology		58,798	14,700	73,498	4,164	58	77,720
Depreciation and amortization		-	-	-	326,839	-	326,839
Miscellaneous		<u>1,531</u>	<u>383</u>	<u>1,914</u>	<u>28,434</u>	<u>1</u>	<u>30,349</u>
Total Expenses		<u>\$ 13,146,444</u>	<u>\$ 3,295,857</u>	<u>\$ 16,442,301</u>	<u>\$ 2,889,080</u>	<u>\$ 110,207</u>	<u>\$ 19,441,588</u>

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 15.2

Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	19	\$ 1,115,582	\$ 278,895	\$ 1,394,477	\$ 693,502	\$ 9,416	\$ 2,097,395
Instructional personnel	147	9,503,532	2,375,883	11,879,415	-	-	11,879,415
Non-instructional personnel	22	1,279,230	319,807	1,599,037	86,362	-	1,685,399
Total Personnel Services Costs	188	11,898,344	2,974,585	14,872,929	779,864	9,416	15,662,209
Employee benefits and payroll taxes		2,795,045	698,761	3,493,806	183,198	2,212	3,679,216
Office expenses		270,657	67,664	338,321	54,446	188	392,955
Accounting and auditing		-	-	-	52,240	-	52,240
Legal fees		-	-	-	11,379	-	11,379
Donated legal services		-	-	-	7,660	-	7,660
Payroll service		-	-	-	85,686	-	85,686
General and administrative consultants		42,850	10,712	53,562	14,309	-	67,871
Management fee		1,280,819	320,205	1,601,024	2,361,510	40,026	4,002,560
Other professional fees		314,179	114,921	429,100	4,315	29	433,444
Professional development		121,218	30,305	151,523	-	-	151,523
Student and staff special events		186,492	46,623	233,115	5,525	67	238,707
Parent teacher organization		-	-	-	-	68,394	68,394
Curriculum and classroom		351,187	87,797	438,984	-	-	438,984
Insurance		-	-	-	156,943	-	156,943
Facility expense		6,496,825	1,624,206	8,121,031	425,827	5,141	8,551,999
Technology		132,267	33,067	165,334	8,669	105	174,108
Depreciation and amortization		-	-	-	536,358	-	536,358
Miscellaneous		4,786	1,197	5,983	52,363	4	58,350
Total Expenses		\$ 23,894,669	\$ 6,010,043	\$ 29,904,712	\$ 4,740,292	\$ 125,582	\$ 34,770,586

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 13.2

Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	9	\$ 554,617	\$ 138,654	\$ 693,271	\$ 208,531	\$ 3,427	\$ 905,229
Instructional personnel	40	2,531,338	632,834	3,164,172	-	-	3,164,172
Non-instructional personnel	<u>4</u>	<u>266,463</u>	<u>66,616</u>	<u>333,079</u>	<u>17,530</u>	<u>-</u>	<u>350,609</u>
Total Personnel Services Costs	<u><u>53</u></u>	3,352,418	838,104	4,190,522	226,061	3,427	4,420,010
Employee benefits and payroll taxes		830,018	207,505	1,037,523	55,970	849	1,094,342
Office expenses		83,631	20,908	104,539	9,523	70	114,132
Accounting and auditing		-	-	-	22,092	-	22,092
Legal fees		-	-	-	5,868	-	5,868
Donated legal services		-	-	-	2,869	-	2,869
Payroll service		-	-	-	32,338	-	32,338
General and administrative consultants		1,334	333	1,667	918	-	2,585
Management fee		436,829	109,207	546,036	805,403	13,651	1,365,090
Other professional fees		205,494	51,373	256,867	1,093	17	257,977
Professional development		46,215	11,554	57,769	-	-	57,769
Student and staff special events		17,538	4,385	21,923	569	9	22,501
Parent teacher organization		-	-	-	-	26,141	26,141
Curriculum and classroom		139,959	34,990	174,949	-	-	174,949
Insurance		-	-	-	69,169	-	69,169
Facility expense		2,263,664	565,916	2,829,580	152,644	2,314	2,984,538
Technology		39,065	9,766	48,831	2,634	40	51,505
Depreciation and amortization		-	-	-	194,974	-	194,974
Loss on disposal of property and equipment		-	-	-	-	-	-
Miscellaneous		<u>1,952</u>	<u>488</u>	<u>2,440</u>	<u>2,303</u>	<u>2</u>	<u>4,745</u>
Total Expenses		<u><u>\$ 7,418,117</u></u>	<u><u>\$ 1,854,529</u></u>	<u><u>\$ 9,272,646</u></u>	<u><u>\$ 1,584,428</u></u>	<u><u>\$ 46,520</u></u>	<u><u>\$ 10,903,594</u></u>

See independent auditors' report

Brooklyn Prospect Charter School

Uniform Guidance
Schedules and Reports

June 30, 2023

Brooklyn Prospect Charter School

Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-23-5495	\$ -	\$ 165,744
Title I Grants to Local Educational Agencies	84.010	0021-23-5220	-	49,645
Title I Grants to Local Educational Agencies	84.010	0021-23-5260	-	110,054
			-	325,443
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5495	-	27,131
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5260	-	18,238
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5220	-	8,509
			-	53,878
Student Support and Academic Enrichment Program	84.424	0204-23-5495	-	13,068
Student Support and Academic Enrichment Program	84.424	0204-23-5220	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-23-5260	-	10,000
			-	33,068
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5495	-	307,092
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5220	-	58,559
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5260	-	207,250
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5495	-	291,696
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5220	-	150,632
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5260	-	174,052
			-	1,189,281
Total U.S. Department of Education			-	1,601,670
<u>Federal Communications Commission</u>				
Pass-Through Universal Service Administrative Company:				
COVID-19 Emergency Connectivity Fund Program	32.009	not available	-	231,140
<u>Department of Homeland Security</u>				
Pass-Through New York State Homeland Security and Emergency Services:				
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	not available	-	115,091
Total Expenditures of Federal Awards			\$ -	\$ 1,947,901

See independent auditors' report and notes to schedule of expenditures of federal awards

Brooklyn Prospect Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brooklyn Prospect Charter School (the "School"), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Independent Auditors' Report

**Board of Trustees
Brooklyn Prospect Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brooklyn Prospect Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2023

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

**Board of Trustees
Brooklyn Prospect Charter School**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brooklyn Prospect Charter School's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2023

Brooklyn Prospect Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425D

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2023.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no findings in the prior year.

Board of Trustees
Brooklyn Prospect Charter School

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Brooklyn Prospect Charter School (the "School") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2023